

Leveraging Youth Employment in Tanzania Tourism Sector: The role of MSMEs

By

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Introduction

Youths' difficulties to find jobs is increasingly becoming a global concern. In Tanzania, the government is cracking down heavily to contain the problem. According to the UNWTO and ILO, tourism is one of the world's largest job creators with capacity to accelerate employment and entry into the labour force especially for youth and women (ILO 2010). With Tanzania's good record of increased number of international tourists' arrivals over the past decade, tourism stands out as a promising employer for youths who leave education institutions but cannot find jobs. This prompted a need to design a systematic study to; *firstly*, examine the extent of young men and women involvement in the industry and *secondly*, explore ways the sector's micro, small and medium enterprises (MSMEs) could be leveraged to support youth (aged between 15 and 35 years) employment opportunities in a survey conducted between September and November 2018. The covered regions were: Dar es Salaam, Arusha, Kilimanjaro, Manyara, Iringa and Coast for Tanzania mainland and Zanzibar archipelago.

Why Tourism?

- labour-intensive industry as most of its activities are service in nature
- low entry barriers in terms of accommodating low to high skilled personnel and capital requirements
- offers direct, indirect and induced employment given its high inter-linkages with other industries

Key findings

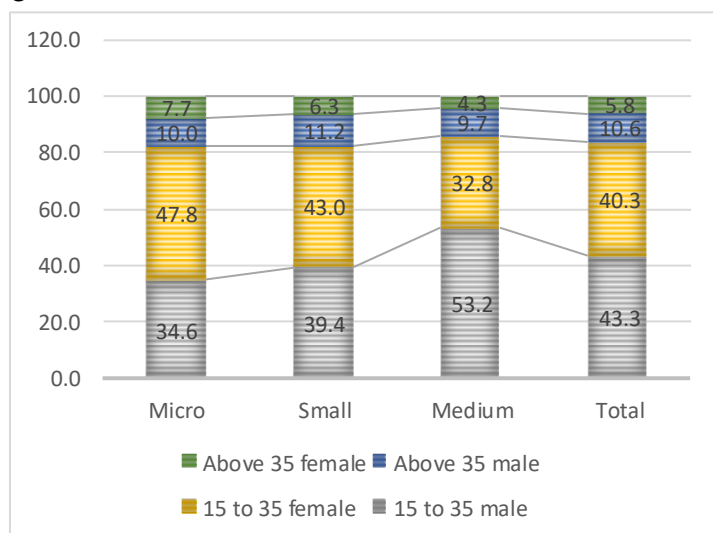
Ownership of enterprises between youths and adults varies greatly:

- More than three quarters of the 445 sampled enterprises were owned by adults.
- Most of the youth owned enterprises were micro (53.6%) and small (42.3%) in scale and were mainly in food and beverage (47.4%) & direct retailing to tourists (18.6%).

In terms of wage employment, tourism MSMEs employ more youths relative to adults with male as dominant employees (Figure 1). Female youths were disproportionately employed in micro and small-scale enterprises and were mainly in the food and beverage and other category of activities such as spas.



Figure 1: Percentage distribution of MSMEs employees by age and sex



Source: Survey Data

Most youths were employed to carry out operation or production activities whereas adults were employed in the administrative and supervisory roles.

Enterprise's access to capital or credit from formal financial institutions enhances their capacity to employ more youths unlike reliance on informal credit markets such as personal savings or borrowing from friends and family members. Borrowing from formal sources is associated with access to a larger amount of loans that have greater impact in boosting business growth and performance.



The more experienced an enterprise is, measured by number of years in operation, the higher the youth staffing level. Young enterprises (ages 5 to 10 years) employed more youths relative to infants (below 5 years).

Enterprises that provide and maintain formal written employment contracts with their staff attract more youth employees unlike the ones that keep their employees' contracts in oral or verbal form as the former ensures that workers' rights are safeguarded and respected and can be legally claimed in case of violation.

Equal access employment opportunities favour youths. About 74 percent of enterprises were not equal opportunity employers in that net-working played a great role for workers to access employment. Networking is discriminatory and tends to favour adults given that they occupy administrative and supervisory posts.

Business performance as measured in terms of capacity to generate adequate turnover is crucial in influencing youth uptake in employment. Generation of sufficient cash inflows enables growth and expansion of enterprises, giving it power to recruit, retain and to pay its employees.

Policy Implications

The findings provide several levers the government and other stakeholders can use to support creation of business-enabling environment to foster growth of existing enterprises and establishment of novel businesses for the purpose of enhancing youths' participation in the sector:

- Upgrade opportunities for youth to increase their share of business ownership and employment in tourism through enhancing access to credit for potential and existing entrepreneurs. Although several barriers such as high interest rate and collateral requirements impede borrowing by enterprises, the government can intervene through, for example, providing a special basket in commercial banks and microfinance institutions enterprises to access credit with less stringent requirements.
- Employers in the tourism sector should be encouraged to promote a spirit of equality in access to employment opportunities by venturing into staff recruitment channels that are non-discriminatory. Equal access employment opportunities tend to favour youths more than adults unlike networking which tend to be discriminatory.

- Tourism enterprises should be enforced to comply with offering formal written employment contracts to their workers.
- Businesses should be nurtured in a manner that ensures their continued existence and generation of adequate earnings for growth and expansion, the role requiring the creation of business support environment by the government. Continued attraction of more international tourists enables increased employment in the sector as demand for tourism workers is a derived demand.



ABOUT THIS BRIEF

This brief is part of an IDRC-regional funded research project on *Youth Employment and Women's Economic Empowerment in Africa: The Role of MSMEs in the Tourism Sectors of Mauritius, Tanzania and Uganda*. The research focused on exploring opportunities in tourism MSMEs for generating employment for youths and for empowering women. It was undertaken by three institutions; the University of Dar es Salaam (Tanzania), the University of Mauritius (Mauritius) and the University of Makerere (Uganda) from November 2017 to October 2019. We acknowledge the IDRC for funding the project.

Reference

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